

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01
 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
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FM AMCONSUL STUTTGART
TO SECSTATE WASHDC 3268
INFO AMEMBASSY BONN
AMCONSUL BREMEN
AMCONSUL HAMBURG
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL MUNICH
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UNCLAS STUTTGART 1789

E. O. 11652: N/A
TAGS: EINV ELTN GW IR
SUBJ: BOSCH BUYS BORG-WARNER STOCK; SELLS PHILCO, ITALY

ROBERT BOSCH GMBH OF STUTTGART HAS PURCHASED 2,000,000 SHARES
OF BORG-WARNER COMMON STOCK, WICH IS APPROXIMATELY 10 PERCENT
OF TOTAL SHARES. THE PURCHASE, ANNOUNCED DECEMBER 22 IN STUTT-
GART, WAS AT A PRICE OF \$31.45 PER SHARE, CONSIDERABLY ABOVE
THE PREVIOUS CLOSING PRICE OF \$28.62. BOOK VALUE IS ANNOUNCED
AS \$38. THE SHARES WILL BE NEWLY ISSUED IN JANUARY 1977.
BOSCH CONSIDERS THIS METHOD OF ENTRY INTO THE US MARKET PREF-
ERABLE TO ADDITIONAL DIRECT INVESTMENT, WHICH WOULD HAVE BEEN
MORE EXPENSIVE AND WOULD HAVE TAKEN MORE TIME BEFORE A RETURN
ON THE INVESTMENT COULD BE REALIZED. BOSCH ALREADY SUPPLIES
US AUTOMOBILE INDUSTRY WITH DIESEL INJECTION EQUIPMENT FROM
A PLANT IN CHARLESTON, SOUTH CAROLINA. LOCAL BROKERS EXPECT
BORG-WARNER TO EARN \$4 PER SHARE THIS YEAR AND CLOSER TO \$5
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PER SHARE IN 1977, PROVIDING A PROMPT PARTIAL RETURN OF CAPI-
TAL TO BOSCH. RECEIPTS FROM THE BOSCH PURCHASE ARE EXPECTED
TO BE USED FOR STRENGTHENING BORG-WARNER'S CAPITAL BASE AND
FOR INTERNAL EXPANSION. AN EXCHANGE OF TECHNOLOGIES BETWEEN
THE TWO FIRMS IS ALSO ANTICIPATED. LOCAL PRESS REPORTS QUES-
TION WHETHER THE PARTNERSHIP WILL RUN INTO SCRUTINY FROM THE

DEPARTMENT OF JUSTICE MONOPOLY REGULATIONS, BUT HOPE THAT
BECAUSE OF THE LIMITED 10 PERCENT ACQUISITION THERE WILL BE
NO PROBLEM. PRESS ALSO SUSPECTS, HOWEVER, THAT, IF THE DEAL
IS SUCCESSFUL, THE BOSCH PARTICIPATION WILL INCREASE. IN A
POSSIBLY RELATED DEVELOPMENT, BOSCH HAS ANNOUNCED THAT AS OF
FEBRUARY 1, 1977, ALL ITS SHARES OF PHILCO (ITALY) IN PONTE
SAN PIETRO WILL BE SOLD TO THE IRANIAN RITACO GROUP. ITALIAN
PHILCO HAS REPORTED LOSSES OF DM 50 MILLION SINCE 1972.
MURPHY

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